

M e m o r a n d u m

To: Panel Members

Date: August 27, 2004

From: Diana Torres, Manager

Analyst: Joe Davey

Subject: ONE-STEP AGREEMENT FOR **VIASAT, INC.**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Moving To A High Performance Workplace
Promotion Of California's Manufacturing Workforce
- Type of Industry: Manufacturing Communication
- Repeat Contractor: No
- Contractor's Full-Time Employees
 - *Worldwide:* 900
 - *In California:* 420
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$296,400
- Substantial Contribution: \$0
- Total ETP Funding: \$296,400
- Total In-kind Contribution: \$807,500
 - *Trainee Wages Paid During Training:* \$746,500
 - *Other Contributions:* \$61,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: San Diego

INTRODUCTION:

ViaSat, Inc., designs, engineers, and produces a line of commercial and government satellite networking communications systems. The products, called VSAT's (Very Small Aperture Terminals), provide communications links between ground-based and satellite communications devices. ViaSat qualifies for funding under the out-of-state competition provisions outlined in Title 22, California Code of Regulations, Section 4416(a)(1,2) as a Company engaged primarily in production and manufacturing. ViaSat is requesting ETP funds to retrain 400 current employees in the skills needed to remain competitive and improve business processes and operations.

MEETING ETP GOALS AND OBJECTIVES:

ViaSat, Inc., proposes training that will further the following ETP goals and objectives:

- 1) Training supports well-paying jobs in high technology and diversified manufacturing such as telecommunications. This proposal serves the Panel's strategic goals by strengthening industries in California and, thereby, spurring economic growth in the State.
- 2) Training is targeted to meet the need for a skilled workforce in the telecommunications industry where ViaSat faces strong competition from out-of-state competitors. Thus, this project meets ETP's legislative mandate to foster job retention in industries threatened by out-of-state competition.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job 1/Retrainee	MENU: Business Skills, Computer Skills, Continuous Improvement, Management Skills	400	35-80	10	\$741	\$11.61 - \$108.17

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
					<u>Prevalent Hourly Wage</u>	
					\$38.00	
					<u>Average Cost Per Trainee</u>	
					\$741	
<u>Health Benefits Used To Meet ETP Minimum Wage:</u>					<u>Turnover Rate</u>	<u>% Of Mgrs & Supervisors To Be Trained:</u>
Although the Company pays health benefits for its employees, the hourly contribution is not being used to meet ETP minimum wage requirement of \$11.61 per hour for San Diego County.					6.6%	12.5%
<u>Other Employee Benefits:</u>						
In addition to Health Benefits, ViaSat offers Medical Insurance, Vacation, Long term disability, Dental, Holidays, 401(k), Vision, Sick Leave, Flexible spending, Work Life (Behavioral Health), Bereavement Leave, Life Insurance, Employee Stock Purchase Plan, AD&D (Accidental Death & Dismemberment), and Tuition Reimbursement.						

COMMENTS / ISSUES:

➤ *Frontline Workers*

Of the 400 proposed trainees, 50 (12.5 percent) are managers and supervisors. The remaining 350 trainees meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee). Many of ViaSat's frontline workers are Software and Systems Engineers earning well above the ETP minimum wage. However, managers and supervisors will also participate in training in order to lead, coach and manage frontline workers in continuous improvement skills outlined in this proposal. Management skills training is directly related to the training given to frontline staff. In addition, management skills will allow ViaSat to develop and promote its managers and supervisors from within the Company rather than searching outside the Company for qualified staff.

➤ *Production During Training*

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

PROPOSED ACTION:

Staff recommends that the Panel Approve this Agreement if funding is available and the project meets the Panel priorities.

NARRATIVE:

ViaSat, Inc., designs, engineers, and produces advanced digital wireless communications and signal processing products for military and commercial markets. Founded in 1986 and headquartered in Carlsbad, California, the Company has expanded its product line through the acquisition of key satellite and broadband companies. Products include UHF (Ultra High Frequency) satellite communications products such as VSATs (Very Small Aperture Terminals), modems, network control systems, training terminals and related equipment. ViaSat employs 900 worldwide, with 420 in California.

ViaSat's representatives report the following:

After a period of substantial growth during the past few years, ViaSat has reached an important juncture in its history that will affect its success in the years to come. Until recently, ViaSat's major customer was the U.S. Department of Defense and the National Security Agency. As ViaSat has grown, it gradually began selling more of its products to the public sector. The result is that the two sides of its business have converged: customized products that were developed and sold to the government can now be used in commercial products and products that were developed for the public can now be used in products for the federal government.

NARRATIVE: (continued)

The Company must now establish processes and procedures that will allow for greater repeatability, standardization and efficiency in developing and producing its products. Instead of developing customized products, the Company now needs to be able to standardize its products to meet the needs of both the commercial and the governmental sides of its business. As the two sides of its business begin to share common technology, it is vital that ViaSat develop the skills in its workforce to achieve stability and efficiency in product development and production. A key ViaSat customer, the Pentagon, for example, is assimilating commercially developed technologies into its global information grid. Consequently, defense networks increasingly reflect commercial enterprise broadband equivalents. ViaSat must be prepared to apply commercial techniques, such as Internet Protocols (IP), to tactical networks. Given the application of technology across commercial and defense boundaries, ViaSat anticipates increasing the range of products it will be offering in all markets.

In addition to the demands of the federal government, other customers are requiring proof that ViaSat's internal practices are at a "level of maturity" such that ViaSat's customers can depend on it meeting its commitments. The Software Engineering Institute (SEI), a federally-funded research and development center sponsored by the U.S. Department of Defense, has established a Continuous Maturity Model (CMM) that identifies five distinct levels of software development maturity. The CMM is generally recognized as an industry-wide standard for quality software development. Many of ViaSat's customers, including the U.S. Government, are now requiring that the Company maintain a "level 3" in order to receive contract awards.

With a number of ViaSat's competitors already at this level of process maturity, it is vital that ViaSat establish the internal training processes to enhance the Company's ability to achieve and maintain progressively higher levels of process maturity. Level 3 represents the level at which all employees working on a given program have been properly trained in every aspect of their professional roles, including ViaSat's processes and general process improvement practices and methodologies. Earning and maintaining a Level 3 "assessment" from external auditors requires that the Company provide substantial training (and documentation) on an ongoing basis. To reach the required levels of performance, trainees will receive between 35 to 80 class/lab hours in the following areas:

Continuous Improvement – Training will be provided in a range of continuous improvement topics for all occupations. To a large extent continuous improvement training is being driven by two critical business objectives: the development of more standardized processes and products and the need to meet customer quality demands by achieving higher levels of process quality maturity (Continuous Maturity Model).

Engineering staff, including frontline supervisors, will receive expanded and accelerated process improvement training in a number of topic areas including engineering practices, process management, risk management and best practices instruction in technical engineering skills. As a result of this training, the Company expects engineering staff will have the skills to achieve higher levels of process improvement in software design and development and to create standardized products that will allow the Company to move beyond the limited, customized or "boutique" product areas.

Operations and Corporate Support staff, which include functional areas such as purchasing, facility operations, planning, information systems, personnel, and training, will receive course work that will include lean manufacturing, Six Sigma, productivity enhancement, leadership skills and decision making. Through an expanded emphasis on training in various performance

NARRATIVE: (continued)

improvement topics, the Company anticipates that trainees will achieve a greater understanding of ViaSat. The Company will also seek to develop a company-wide quality culture that will allow employees to be more engaged in building value-added solutions to ViaSat work processes. Selected trainees may also receive up to 10 hours CBT in communication skills.

Computer Skills – Staff in engineering, corporate support and operations support will be trained in computer skills to operate with optimal efficiency sophisticated software applications in areas including software design, engineering best practices, and advanced techniques in Microsoft Office Applications. Information management staff will receive training in advanced information technology in server administration and configuration which will upgrade ViaSat's internal capacities to optimally manage data movement and storage. As ViaSat moves to achieve new objective measures of enterprise-wide quality, the Contractor states it is vital that trainees have the strongest expertise in the broadest range of applications possible. Selected trainees may also receive up to 10 hours CBT in advanced Microsoft Office skills.

Management Skills - Selected management and supervisory employees in all occupational areas will be designated for training in leadership, decision making, coaching and other key management topics. The Company states it wants to take specific steps to ensure that it has a strong pool of talent from within to consider for management positions. This new commitment, however, will require a significant amount of supervisory and leadership skills training to professionals and entry-level supervisors. Up to this point, ViaSat has relied on this group's technical and functional expertise, but in the future they need to demonstrate new skills in leading others and managing performance. Selected trainees may also receive up to 10 hours CBT in leadership skills.

Business Skills – Training in this topic will be delivered to employees in all occupations participating in this Agreement. As ViaSat moves to implement a formalized company-wide training process designed to improve performance in all operational areas, ViaSat reports there is a significant need to implement more structured and comprehensive training in wide-ranging business skills. Corporate and Operations Support Personnel will improve skill levels in job-specific types of training such as negotiating, purchasing techniques, program management, and small business customer-oriented training. Business skills training for support staff is expected to improve overall company performance, enhance individual skills and vest decision making capacity more broadly within ViaSat's organization. Selected trainees may also receive up to 10 hours CBT in conflict management skills.

Supplemental Nature of Training

State Law requires that ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded programs. ViaSat states that the training identified in this proposal is supplemental to training conducted in the past or the present. Training the Company has conducted in the past includes supervisory, technical training for engineers, computer training such as Microsoft's Office suite (Word, Excel, and PowerPoint), and UCSD Extension courses. In addition, new employees receive job specific training and training that "gets them up to speed" in their departments or positions. Training has been determined based on the needs of the individual employee rather than the overall needs of the organization.

NARRATIVE: (continued)

The training described in this proposal differs substantially from past training practices. The “centerpiece” of ViaSat’s training program is to standardize processes and procedures based on an industry standard established by the Software Engineering Institute. Additional training in computer skills, business skills, and management skills are necessary to provide trainees with specific job skills to assist them in achieving higher productivity and efficiency throughout the organization.

SUBCONTRACTORS:

To be determined

THIRD PARTY SERVICES:

Strategic Partnerships, LLC, assisted with the development of the Application and other Agreement requirements. The amount reimbursed for these services is a fee of \$16,500, based on a flat fee.

ViaSat, Inc.

CURRICULUM

Class/Lab Hours	Trainees will receive any of the following:
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Job Number 1	
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35 – 80	
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Business Skills

- Negotiations (general business, non-labor)
- Program Management
- Government Property Training
- Compliance
- Small Business Training
- Communication Skills
- Earned Value
- Purchasing Practices
- Shipping and Receiving Processes
- Equipment operation

Computer Skills

- Advanced MS Office
- Oracle
- Technical Seminar/Engineering Best Practices

Continuous Improvement Skills

- Continuous Maturity Model (Process Improvement)
 1. Overview
 2. Process Management
 3. Requirements Management
 4. Peer Review
 5. Risk Management
 6. Communications
 7. Estimation
 8. Support
- Professional Skills
- Engineering Tools

Class/Lab Hours	Trainees will receive any of the following:
Job Number 1 35 – 80	Continuous Improvement Skills (Continued) <ul style="list-style-type: none">• Departmental Process Training• Agile (software)• Six Sigma (Quality Fundamentals)• Lean Manufacturing• Supplier Collaboration• ViaSat Seminar (Engineering topics)• Peer Review• Engineering Change Order (ECO Team Processes) Management Skills <ul style="list-style-type: none">• Leadership• Decision Making• Coaching• Management principles (evaluations/assessments, budgeting, organizational principles)

Class/Lab Hours	Trainees will receive any of the following:
CBT Job Number 1 0 – 10	Business Skills <ul style="list-style-type: none">• Communication• Conflict Management Computer Skills <ul style="list-style-type: none">• Advance Microsoft Office Continuous Improvement Skills <ul style="list-style-type: none">• Professional Skills